



February 11, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 04-119

Dear Secretary Cottrell:

Massachusetts Electric Company, Nantucket Electric Company, New England Power Company, and New England Hydro-Transmission Electric Company, Inc. (“collectively “National Grid Massachusetts Jurisdictional Money Pool Participants”) hereby submit this letter brief regarding the scope of the annual Money Pool report.

The National Grid Massachusetts Jurisdictional Money Pool Participants file a report following the end of each year with the Department describing the operation of the National Grid USA Money Pool. The Department first required this report of Massachusetts Electric Company and New England Power Company in its order in D.P.U. 589-A. This report was expanded to include the remaining jurisdictional participants, Nantucket Electric Company and New England Hydro-Transmission Electric Company, Inc., once they were authorized to participate in the Money Pool. Each of these companies was incorporated under the provisions of Mass. Gen. Laws c. 164, and are regulated by the Department. They are the only companies participating in the Money Pool that are regulated by the Department.

At the February 1, 2005 evidentiary hearing in this docket, the Department issued a record request (Record Request 3) for a report, similar to the annual report that the National Grid Massachusetts Jurisdictional Money Pool Participants make, for all of the participants in the Money Pool. Transcript p. 22. The National Grid Massachusetts Jurisdictional Money Pool Participants responded to this record request without objection on February 7, 2005.

Nevertheless, while the National Grid Massachusetts Jurisdictional Money Pool Participants did not object to responding to this record request, we oppose filing this information every year as part of the annual report because it is outside of the Department’s jurisdiction, will not improve the Department’s ability to review the yearly operations of the Money Pool, and is burdensome to produce.

The Department derives its authority to review the Money Pool from Mass. Gen. Laws c. 164, § 17A, which requires, in pertinent part, Department approval before a gas or electric company which it regulates may “loan its funds to, guarantee or endorse the indebtedness of, or invest its funds in the stock, bonds, certificates of participation or other securities of, any corporation, association or trust.” Thus, through various orders

approving the Money Pool through the years, the Department has authorized the National Grid Massachusetts Jurisdictional Money Pool Participants to loan funds into the Money Pool. This authorization necessarily did not address companies that are not jurisdictional gas and electric companies.¹ When making the decision of whether to grant § 17A approval to the National Grid Massachusetts Jurisdictional Money Pool Participants, the Department reviews their proposals to determine if they are “consistent with the public interest,” focusing on ratepayers. D.T.E. 01-104 at 4, 5 (citations omitted).

As set forth in the terms of the Money Pool, the National Grid Massachusetts Jurisdictional Money Pool Participants, and other lenders to the Money Pool, determine each day the amount of funds they have available for the Money Pool and lend it. MEC 1 at 20. *Id.* Borrowers who need funds may borrow from the Money Pool. MEC 1 at 21. All transactions are between the participant and the Money Pool, not between participants directly. The information that the National Grid Massachusetts Jurisdictional Money Pool Participants currently provide the Department in the annual report enables the Department to review investments, investment rates, and investment earnings (and borrowings from, borrowing rates, and borrowing costs) to the Money Pool on a monthly basis. Thus, the Department has a clear picture of the National Grid Massachusetts Jurisdictional Money Pool Participants’ relationship with the Money Pool.

In addition to the National Grid Massachusetts Jurisdictional Money Pool Participants, there are four other participants in the Money Pool who are both borrowers and lenders. MEC 1 at 20. There are currently also ten participants in the Money Pool who are lenders only. Exhibit MEC 1 at 12-13; Response to Record Request 1. In this docket, the National Grid Massachusetts Jurisdictional Money Pool Participants propose to add two more participants as lenders only. MEC 1 at 12-15. None of these sixteen companies are electric companies under Mass. Gen. Laws c. 164 and subject to § 17 A. Thus, their loans to the Money Pool are outside of the jurisdiction of the Department. A review of their lending history will not provide probative information to the Department on the matter of concern to the Department – how the National Grid Massachusetts Jurisdictional Money Pool Participants’ loans to the Money Pool are consistent with the ratepayers’ interests. In addition, because the National Grid Massachusetts Jurisdictional Money Pool Participants loan their funds to the Money Pool and not the individual participants, an annual report setting forth the borrowing history of four non-jurisdictional borrowing participants will not provide additional, useful information to the Department.

¹ The Department does have the authority to review borrowings by the National Grid Massachusetts Jurisdictional Money Pool Participants, but only if a borrowing is for a period of more than one year. Mass. Gen. Laws c. 164, § 14. The explicit terms of the Money Pool, both as currently in effect and as proposed to be modified, require that loans be less than one year. Exhibit MEC-1, page 22. Thus, the borrowings that the National Grid Massachusetts Jurisdictional Money Pool Participants do from the Money Pool do not fall under the ambit of this statute.

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Finally, the National Grid Massachusetts Jurisdictional Money Pool Participants wish to inform the Department that providing this information for sixteen additional companies involves substantial work. The National Grid Massachusetts Jurisdictional Money Pool Participants would not object to performing this work, of course, if it would be of assistance to the Department in the exercise of its jurisdiction over the National Grid Massachusetts Jurisdictional Money Pool Participants' loans to the Money Pool, but the National Grid Massachusetts Jurisdictional Money Pool Participants do not believe this to be in the case here.

We appreciate the opportunity to provide this letter brief.

Very truly yours,

s/ Amy G. Rabinowitz

s/ James P. Meehan

Amy G. Rabinowitz

James P. Meehan

cc: Service List